

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
FERNDALE, MICHIGAN

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
AND  
REPORTS ON INTERNAL CONTROL AND  
COMPLIANCE

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Royal Oak Township Housing Commission</b>	County
Audit Date <b>3/31/05</b>	Opinion Date <b>12/9/05</b>	Date Accountant Report Submitted to State: <b>12/23/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☒ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>Barry E. Gaudette, CPA, PC</b>			
Street Address <b>1107 E. Eighth Street</b>	City <b>Traverse City</b>	State <b>MI</b>	ZIP <b>49686</b>
Accountant Signature <i>Barry E. Gaudette, CPA</i>		Date <b>12/23/05</b>	

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
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INTRODUCTION

**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street  
Traverse City, Michigan 49686  
(231) 946-8930  
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***Independent Auditor's Report***

Board of Commissioners  
Royal Oak Township Housing Commission  
Ferndale, Michigan

I have audited the accompanying financial statements of the business-type activities of the Royal Oak Township Housing Commission, Michigan, a component unit of Royal Oak Township, as of and for the year ended March 31, 2005, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Royal Oak Township Housing Commission, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 6(D), the Housing Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted as of March 31, 2005.

Royal Oak Township Housing Commission  
Independent Auditor's Report  
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated December 9, 2005, on my consideration of Royal Oak Township Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be in considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on page 3 through 7, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements that comprise Royal Oak Township Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Royal Oak Township Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Gary Staudt, M.P.*

December 9, 2005

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
March 31, 2005  
=====

Royal Oak Township Housing Commission, created in 1966, by the Township of Royal Oak provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended March 31, 2005. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

**Financial Highlights**

The financial statements for Royal Oak Township Housing Commission consists of two programs. The first is owned housing, consisting of 128 units of public housing and the second is the capital funding program. Royal Oak Township Housing Commission had total revenues of \$859,817 that includes \$165,399 in rental payments and \$680,263 in federal assistance. Total operating expenses were \$956,679, that includes \$181,305 in administrative expenses, \$275,079 in ordinary maintenance expenses, and \$323,138 in depreciation expense. Total revenues increased by \$146,865 from the prior year and operating expenses increased by \$119,313 over the prior year for a net increase of \$27,552, due in part to an increase in federal grants this fiscal year from closing out several years of capital fund programs.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent year by \$3,892,094. The Housing Commission's total net assets decreased by \$96,862 from the prior year. The decrease is attributable in part to the difference of the depreciation expense of \$323,138 and capital expenditures of \$264,101.

Total assets of the Housing Commission were \$3,987,940 including \$628,434 of current assets and \$3,359,506 of net property, plant, and equipment assets. The Housing Commission had current liabilities of \$92,750 and noncurrent liabilities of \$3,096. Assets decreased, in part, by \$86,755 from the prior year for the same reason mentioned in the previous paragraph.

The financial condition of the Housing Commission has not changed materially from the prior year, but the Net Assets did decrease by \$96,862 from the prior year.

## Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- \* Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- \* Statement of Activities - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- \* Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

## Commission's current position

Question: An analysis of the overall financial position and results of operations to assess whether financial position has improved or deteriorated during the year, including reasons for significant changes from the prior year and important economic factors that significantly affected operating results?

Response: Since the inception of the Royal Oak Township Housing Commission in the year 1966, the agency has a long history of being financially prudent. During this current fiscal year the agency has been plagued with two financial burdens. The first one is the rising cost of providing affordable health care benefits to our staff. It is projected that by FYE 3/31/06 the Housing Commission will have exceeded the amount budgeted for employee health care costs by over 36%. This is an alarming fact. The Housing Commission is currently considering ways to cut the agencies health care cost without cutting the benefits that our employees have enjoyed for years. One of the cost cutting proposals being considered by the Housing Commission is to allow for the Housing Commission to offer payment in lieu of accepting health care insurance to their full-time staff. Accepting this option could assist the Housing Commission in saving @\$18,000 per staff person per year.

The other area with financial impact is the independent contractor cost. Based on our recent audit from the Office of Inspector General (OIG) the Housing Commission had been placed in the troubled agency category. Our OIG audit indicated that the Housing Commission has nearly 5 million dollars in maintenance needs. Based on the OIG audit findings the Housing Commission has been aggressively addressing our more critical maintenance needs. As a result of the severity of the Housing Commission maintenance needs independent contractors were hired to assist with addressing some of our OIG audit findings. The Housing Commission budgeted @\$84,000 this year for contractor work. At our current rate we are



Commission's current position (continued)

estimated to exceed our budgeted amount by nearly 35%.

The increase in our contractor cost is a direct reflection on our most recent REAC inspections. The Housing Commission received our PHAS scores from our REAC inspections relating to the physical conditions of our units. As a result of our aggressive maintenance work our Housing Commission has moved from the troubled agency status to a standard performing agency.

Question: A description of significant capital asset activity, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services?

Response: The Royal Oak Township Housing Commission currently has a major capital fund project underway. The 2003, 2004, and a portion of 2005 capital fund monies have been obligated for major improvements to our Housing Commission. We are remodeling all our kitchens and bathrooms at MI033-2 and at MI033-1. We are upgrading our plumbing and drain lines to allow for proper washing machines installation and ventilation for dryers to be properly vented.

The previous capital fund improvements were completed using the 2002 CFP monies. MI033-1 upgrades included converting the fuse boxes to circuit breakers, and install central air units. MI033-2 upgrades included installing new heavy duty commercial grade screen doors, removing all the screens from the windows and installing new stainless w/rubber coating window screens.

There are no known changes in our credit rating. The Housing Commission has no outstanding debt obligations that would hinder our planned capital fund improvements.

Question: A description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial positions or results of operations?

Response: The Royal Oak Township Housing Commission has been classified as a troubled Housing Commission due to our physical conditions of our units from an audit conducted by the Office of Inspector General (OIG). Since that time our efforts have been focused on improving the physical conditions of our units. Based on the results of our REAC scores the Royal Oak Township Housing Commission has achieved the status of a standard performing agency as of December 2005.

Questions and comments regarding this Management Discussion and Analysis may be directed to:

Orion O. Watson, Executive Director  
8900 Cloverdale Avenue  
Ferndale, Michigan 48220

### Financial Analysis of the Housing Commission

The following condensed statement of net assets show a summary of changes for the years ended March 31, 2005 and 2004.

	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
Current assets	\$ 628,434	\$ 656,152	\$ ( 27,718)
Property and equipment	<u>3,359,506</u>	<u>3,418,543</u>	<u>( 59,037)</u>
Total assets	<u>\$3,987,940</u>	<u>\$4,074,695</u>	<u>\$ ( 86,755)</u>
Current liabilities	\$ 92,750	\$ 85,739	\$ 7,011
Noncurrent liabilities	<u>3,096</u>		<u>3,096</u>
Total liabilities	<u>95,846</u>	<u>85,739</u>	<u>10,107</u>
Net assets:			
Invested in capital assets	3,359,506	3,418,543	( 59,037)
Unrestricted net assets	<u>532,588</u>	<u>570,413</u>	<u>( 37,825)</u>
Total net assets	<u>3,892,094</u>	<u>3,988,956</u>	<u>( 96,862)</u>
Total liabilities and net assets	<u>\$3,987,940</u>	<u>\$4,074,695</u>	<u>\$ ( 86,755)</u>

**Financial Analysis of the Housing Commission (continued)**

The following table summarizes the statement of activities of the Housing Commission for the years ended March 31, 2005 and 2004.

	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
<b>Operating revenues:</b>			
Dwelling rent	<u>\$ 165,399</u>	<u>\$ 177,549</u>	<u>\$ ( 12,150)</u>
Total operating revenues	<u>165,399</u>	<u>177,549</u>	<u>( 12,150)</u>
<b>Operating expenses:</b>			
Administration	181,305	166,696	14,609
Tenant services	41,199	22,079	19,120
Utilities	86,339	69,046	17,293
Ordinary maintenance and operation	275,079	192,444	82,635
General expenses	49,619	77,834	( 28,215)
Depreciation	<u>323,138</u>	<u>309,267</u>	<u>13,871</u>
Total operating expenses	<u>956,679</u>	<u>837,366</u>	<u>119,313</u>
Operating income(loss)	<u>( 791,280)</u>	<u>( 659,817)</u>	<u>( 131,463)</u>
<b>Non-operating revenue:</b>			
Interest income	10,289	6,278	4,011
Other income	3,866	18,586	( 14,720)
Operating grants	416,163	510,539	( 94,376)
Capital grants	<u>264,100</u>	<u>264,100</u>	<u>264,100)</u>
Total nonoperating revenue	<u>694,418</u>	<u>535,403</u>	<u>159,015</u>
Change in Net Assets	<u><u>\$ ( 96,862)</u></u>	<u><u>\$ ( 124,414)</u></u>	<u><u>\$ 27,552</u></u>

FINANCIAL STATEMENTS

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
STATEMENT OF NET ASSETS  
March 31, 2005  
=====

ASSETS

Current Assets:

Cash	\$ 36,517
Accounts receivable-HUD	37,414
Accounts receivable-miscellaneous, net	225
Accounts receivable-dwelling rents	16,046
Allowance for doubtful accounts	( 11,554)
Accrued interest receivable	2,531
Investments-unrestricted	542,747
Prepaid expenses	1,774
Due from other programs	<u>2,734</u>

Total Current Assets 628,434

Property and Equipment:

Land	126,725
Buildings	2,840,682
Equipment	94,494
Building improvements	<u>4,170,947</u>
	7,232,848

Less: accumulated depreciation ( 3,873,342)

Net Property and Equipment 3,359,506

Total Assets \$ 3,987,940

See notes to financial statements

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
STATEMENT OF NET ASSETS (CONTINUED)  
March 31, 2005  
=====

LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 41,983
Tenant security deposit liability	15,524
Accrued expenses	12,467
Deferred revenues	4,695
Other current liabilities	15,347
Due to other programs	<u>2,734</u>
Total Current Liabilities	92,750
Noncurrent Liabilities:	
Accrued compensated absences	<u>3,096</u>
Total Liabilities	<u>95,846</u>
Net Assets:	
Invested in capital assets	3,359,506
Unrestricted net assets	<u>532,588</u>
Total Net Assets	<u>3,892,094</u>
Total Liabilities and Net Assets	<u>\$ 3,987,940</u>

See notes to financial statements

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
**STATEMENT OF ACTIVITIES**  
Year Ended March 31, 2005  
=====

**OPERATING REVENUES:**

Dwelling rent	\$ 165,399
Total operating revenues	<u>165,399</u>

**OPERATING EXPENSES:**

Administration	181,305
Tenant services	41,199
Utilities	86,339
Ordinary maintenance and operation	275,079
General expenses	49,619
Depreciation	<u>323,138</u>
Total operating expenses	<u>956,679</u>

Operating income(loss)	<u>( 791,280)</u>
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**NONOPERATING REVENUES:**

Investment interest income	10,289
Other income	3,866
Operating grants	416,163
Capital grants	<u>264,100</u>

Total nonoperating revenues	<u>694,418</u>
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Change in net assets	( 96,862)
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Net assets, beginning	<u>3,988,956</u>
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Net assets, ending	<u>\$ 3,892,094</u>
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See notes to financial statements

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
**STATEMENT OF CASH FLOWS**  
Year Ended March 31, 2005  
=====

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from dwelling and nondwelling rents	\$ 162,822
Cash payments to other suppliers of goods and services	( 347,240)
Cash payments to employees for services	<u>( 231,161)</u>
Net cash (used) by operating activities	<u>( 415,579)</u>

**CASH FLOWS FROM NONCAPITAL  
FINANCING ACTIVITIES:**

Tenant security deposits	2,210
Operating grants	381,483
Other revenue	<u>3,641</u>
Net cash provided by noncapital financing activities	<u>387,334</u>

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES:**

Capital outlays	251,264
Payments for capital acquisitions	<u>( 264,101)</u>
Net cash (used) by capital and related financing activities	<u>( 12,837)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Investments reduced	139,641
Receipts of interest and dividends	<u>7,758</u>
Net cash provided by investing activities	<u>147,399</u>

Net increase(decrease) in cash 106,317

Cash, beginning 171,742

Cash, ending \$ 278,059



ROYAL OAK TOWNSHIP HOUSING COMMISSION  
STATEMENT OF CASH FLOWS (CONTINUED)  
Year Ended March 31, 2005  
=====

RECONCILIATION OF CASH AND CASH  
EQUIVALENTS PER STATEMENT OF CASH  
FLOWS TO THE BALANCE SHEET:

Cash	\$ 36,517
Investments-unrestricted	<u>241,542</u>
Cash and cash equivalents per balance sheet	<u>\$ 278,059</u>

SCHEDULE RECONCILING OPERATING INCOME  
TO NET CASH FLOW FROM OPERATING  
ACTIVITIES:

Operating income(loss)	\$( 791,280)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	323,138
Bad debt allowance change	1,878
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	( 4,439)
Prepaid expenses	29,757
Increase (decrease) in liabilities:	
Accounts payable	8,347
Accrued wages/payroll taxes	7,790
Accrued compensated absences	( 4,068)
Accrued payments in lieu of taxes	7,906
Other current liabilities	3,530
Deferred revenues	<u>1,862</u>
Net cash (used) by operating activities	<u>\$( 415,579)</u>

See notes to financial statements

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005  
=====

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Royal Oak Township Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

**The Reporting Entity**

Royal Oak Township Housing Commission is a component unit of the Township of Royal Oak, a Michigan Township. The Housing Commission is a Public Housing Agency created by the Township of Royal Oak in 1966, consisting of a five member board appointed by the Township Supervisor and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Royal Oak Township Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

**Grants and Other Intergovernmental Revenues**

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract, the Housing Commission constructed, maintains and operates 128 units of subsidized housing in the City of Royal Oak Township, Michigan.

**Fund Financial Statements**

The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support. The fund financial statements include the Statement of Net Assets, Statement of Activities and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

**Fund Accounting**

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set

of self balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

### **Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the statement of net assets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net assets components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Royal Oak Township Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

### Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

### Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

### Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

### Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

### Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$100 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings		40 years
Furniture, equipment and machinery	3 -	7 years
Building improvements		15 years

### Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post FY 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

## Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested in capital assets rather than unrestricted net assets.

## Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

## Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- \* Vacation leave, not taken by employees may be accumulated not exceed the number of weeks earned in the previous year and the current year. An employee who is permanently separated shall be paid, in a lump sum at his/her current rate of pay for all unused vacation leave.
- \* Sick leave, each regular full-time employee shall accumulate sick leave at the rate of one (4) hours for each thirty (30) calendar days of service, part-time employees will be prorated. An employee may accumulate a maximum of one hundred fifty (150) days. An employee who has accumulated one hundred fifty (150) days is eligible to receive fifty percent (50%) of the time upon death or retirement. Payment will be made at the employee's most current rate of pay.
- \* Personal leave, employees may be paid for personal leave days not to exceed three days per fiscal year. Personal leave may not be accumulated.

The amount of accumulated benefits at March 31, 2005, was \$3,440, and is recorded as a liability in the applicable funds.

## Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

## Income Taxes

As a component unit of a Michigan Township, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

## **NOTE 2: DEPOSITS, INVESTMENTS AND CREDIT RISK**

The Housing Commission maintains cash and investment accounts in the Low Rent Program.

### Deposits

At year-end, the carrying amount of the Housing Commission's deposits were \$277,859 and the bank balance was \$284,194 of which \$200,000 was covered by federal depository insurance. The Housing Commission has \$200 in a petty cash/change fund.

### Investments

The Housing Commission had the following investments at the following banks as of March 31, 2005:

Federal Home Loan Bank Bonds	\$ 101,901
Freddie Mac Notes	<u>199,304</u>
	<u>\$ 301,205</u>

*Interest Rate Risk* - The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* - The Housing Commission's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Housing Commission shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Housing Commission shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes

or Bonds in the name of the Housing Commission held in trust by the financial institution or bank. The Housing Commission may choose collateralization in the following form and percentages:

1. U.S. Treasury Notes - 100%; or
2. U.S. Treasury Notes and/or Bonds - 75% and
3. Mortgage Backed Securities - 25%

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the following collateralization at a minimum once every quarter to the Housing Commission.

The Housing Commission has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk* - The Housing Commission places no limit on the amount the Housing Commission may invest in any one issuer. All of the Housing Commission's investments are reported in the Enterprise Fund.

A reconciliation of cash as shown on the combined statement of net assets follows:

Cash on hand	\$ 200
Carrying amount of deposits	36,317
Investments	<u>542,747</u>
Total	<u>\$ 579,264</u>
Cash and cash equivalents:	
Enterprise activities	\$ 585,599
Enterprise activities - deposits in transit	3,938
Enterprise activities - checks written in excess of deposits	<u>( 10,273)</u>
Total	<u>\$ 579,264</u>

### NOTE 3: RECEIVABLES AND PAYABLES

#### Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At March 31, 2005, the receivables were \$16,046 with \$11,554 estimated as uncollectible. Bad debt expense was \$3,481.

#### Accounts Receivables - HUD

Amounts due from HUD represents funding due the Housing Commission for actual expenses for the programs financed. Balances at March 31, 2005 were as follows:

Low Rent Program	\$ 34,680
Capital Fund Program	<u>2,734</u>
	<u>\$ 37,414</u>

#### Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs". There was an interfund payable to the Low Rent Program from the Capital Fund Program as of March 31, 2005

There were no individual fund operating transfers during the fiscal year.

#### **NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2005 was as follows:

	<u>Balance</u> <u>03/31/04</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>03/31/05</u>
<b>Low Rent Program</b>			
Land	\$ 126,725	\$	\$ 126,725
Buildings	2,840,682		2,840,682
Furniture, equip. & machinery - administration	83,189		83,189
Building improvements	<u>3,642,592</u>	<u>260,314</u>	<u>3,902,906</u>
	6,693,188	<u>\$ 260,314</u>	6,953,502
Less accumulated depreciation	( <u>3,535,675</u> )	( <u>323,278</u> )	( <u>3,858,953</u> )
Total	<u>\$3,157,513</u>		<u>\$3,094,549</u>
<b>Capital Fund Program</b>			
Furniture, equip. & machinery - administration	\$ 11,305	\$	\$ 11,305
Building improvements	<u>264,254</u>	<u>3,787</u>	<u>268,041</u>
	275,559	<u>\$ 3,787</u>	279,346
Less accumulated depreciation	( <u>14,529</u> )	( <u>12,217</u> )	( <u>12,357</u> )
Total	<u>\$ 261,030</u>		<u>\$ 264,957</u>
<b>Combined Totals</b>			<u>\$3,359,506</u>



#### **NOTE 5: INVESTED IN CAPITAL ASSETS**

The following is a summary of the activity in the Invested in Capital Assets account:

	<u>Invested in Capital Assets</u>
Balance, beginning (contributed capital)	\$ 3,418,543
Investment in fixed assets, net of depreciation paid for from operations net of depreciation, not included in contributed capital	( 59,037)
Balance, ending	<u>\$ 3,359,506</u>

#### **NOTE 6: OTHER INFORMATION**

##### **A. Pension Plan**

The Housing Commission participates in the Royal Oak Township Retirement Plan, a defined benefit plan administered by the Municipal Employees' Retirement System of Michigan (MERS). The plan provides for annual employer and employee contributions with complete vesting after 10 years of service. At December 31, 2004, the date of the last completed actuarial evaluation, the Housing Commission's termination liability was \$337,874. The present value of accrued benefits is \$298,561 and the valuation of assets is \$870,435. The pension plan, therefore, is overfunded by \$571,874. Although the minimum required monthly employer contribution is 0.00% of payroll, the 2004 employer contributions were \$10,487 and employees contributed \$24,420. Although no employee contributions are required, voluntary contributions of up to an additional 5% of earnings are allowed. The annual payroll for the three(3) active members was \$87,509 and the annual benefits being paid to the one(1) retiree or beneficiary was \$14,147.

Further details are available from Royal Oak Township, 21075 Wyoming Ave., Ferndale, MI 48220.

##### **B. Current Vulnerability Due to Certain Concentrations**

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

##### **C. Risk Management and Litigation**

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for

which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

#### D. Implementation of New Accounting Standard

As of and for the year ended March 31, 2005, the Housing Commission implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a government's major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

#### E. Prior Period Adjustments, Equity Transfers and Correction of Errors

##### Low Rent Program

Transfer closed 2001 CFP equity to LRPB	<u>\$ 247,956</u>
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##### Capital Fund Program

Transfer closed 2001 CFP equity to LRPB	<u>\$(247,956)</u>
---	--------------------

#### NOTE 7: SEGMENT INFORMATION

The Housing Commission maintains one Enterprise Fund that includes two separate programs which provide housing assistance and grant programs. Segment information for the year ended March 31, 2005, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>
<b>Condensed Statement of Net Assets</b>		
Current assets	\$ 625,700	\$ 2,734
Property and equipment	<u>3,094,549</u>	<u>264,957</u>
Total assets	<u>\$ 3,720,249</u>	<u>\$ 267,691</u>
Current liabilities	\$ 90,016	\$ 2,734
Noncurrent liabilities	<u>3,096</u>	
Total liabilities	<u>93,112</u>	<u>2,734</u>
Net assets:		
Invested in capital assets	3,094,549	264,957
Unrestricted net assets	<u>532,588</u>	
Total net assets	<u>3,627,137</u>	<u>264,957</u>
Total liabilities and net assets	<u>\$ 3,720,249</u>	<u>\$ 267,691</u>

**Condensed Statement of Activities**

Dwelling rents	\$ 165,399	\$
Depreciation	( 310,921)	( 12,217)
Other operating expenses	( 633,541)	
Operating(loss)	( 779,063)	( 12,217)
Nonoperating revenues:		
Investment interest income	10,289	
Other income	3,866	
Operating grants	416,163	
Capital grants		264,100
Change in net assets	( 348,745)	251,883
Prior period adjustments, equity transfers and correction of errors	247,956	( 247,956)
Beginning net assets	3,727,926	261,030
Ending net assets	<u>\$ 3,627,137</u>	<u>\$ 264,957</u>

**Condensed Statement of Cash Flows**

Net cash provided(used) by:		
Operating activities	\$ ( 415,579)	\$
Noncapital financing activities	374,498	12,836
Capital and related financing activities	( 1)	( 12,836)
Investing activities	147,399	
Net increase(decrease)	106,317	
Beginning cash and cash equivalents	171,742	
Ending cash and cash equivalents	<u>\$ 278,059</u>	<u>\$</u>

SUPPLEMENTARY INFORMATION

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS**  
 March 31, 2005  
 =====

	Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 36,517	\$
Accounts receivable-HUD	34,680	2,734
Accounts receivable-miscellaneous	4,880	
Accounts receivable-dwelling rents	16,046	
Allowance for doubtful accounts- dwelling rents	( 11,554)	
Allowance for doubtful accounts- miscellaneous	( 4,655)	
Accrued interest receivable	2,531	
Investments-unrestricted	542,747	
Prepaid expenses	1,774	
Due from other programs	<u>2,734</u>	
Total current assets	<u>625,700</u>	<u>2,734</u>
Property and equipment:		
Land	126,725	
Buildings	2,840,682	
Equipment	83,189	11,305
Building improvements	<u>3,902,906</u>	<u>268,041</u>
	6,953,502	279,346
Less accumulated depreciation	<u>(3,858,953)</u>	<u>( 14,389)</u>
Net property and equipment	<u>3,094,549</u>	<u>264,957</u>
Total Assets	<u>\$3,720,249</u>	<u>\$ 267,691</u>

Totals

\$ 36,517  
37,414  
4,880  
16,046

( 11,554)

( 4,655)

2,531

542,747

1,774

2,734

628,434

126,725

2,840,682

94,494

4,170,947

7,232,848

( 3,873,342)

3,359,506

\$ 3,987,940

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS (CONTINUED)**  
 March 31, 2005  
 =====

	Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 41,983	\$
Tenant security deposit liability	15,524	
Accrued expenses	12,467	
Deferred revenues	4,695	
Other current liabilities	15,347	
Due to other programs		<u>2,734</u>
Total current liabilities	90,016	2,734
Noncurrent liabilities:		
Accrued compensated absences	<u>3,096</u>	
Total liabilities	<u>93,112</u>	<u>2,734</u>
Net assets:		
Invested in capital assets	3,094,549	264,957
Unrestricted net assets	<u>532,588</u>	
Total net assets	<u>3,627,137</u>	<u>264,957</u>
Total Liabilities and Net Assets	<u>\$3,720,249</u>	<u>\$ 267,691</u>

Totals

\$ 41,983  
15,524  
12,467  
4,695  
15,347  
2,734

92,750

3,096

95,846

3,359,506  
532,588

3,892,094

\$ 3,987,940



ROYAL OAK TOWNSHIP HOUSING COMMISSION  
**COMBINING STATEMENT OF ACTIVITIES**  
 Year Ended March 31, 2005  
 =====

	Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>OPERATING REVENUES:</b>		
Dwelling rent	\$ 165,399	\$
Nondwelling rent		
	<u>165,399</u>	<u></u>
Total operating revenues		
<b>OPERATING EXPENSES:</b>		
Administration	181,305	
Tenant services	41,199	
Utilities	86,339	
Ordinary maintenance and operation	275,079	
General expenses	49,619	
Depreciation	<u>310,921</u>	<u>12,217</u>
	<u>944,462</u>	<u>12,217</u>
Total operating expenses		
Operating income(loss)	<u>( 779,063)</u>	<u>( 12,217)</u>
<b>NONOPERATING REVENUES:</b>		
Investment interest income	10,289	
Other income	3,866	
Operating grants	416,163	
Capital grants	<u></u>	<u>264,100</u>
	<u>430,318</u>	<u>264,100</u>
Total nonoperating revenues		
Change in net assets	( 348,745)	251,883
Prior period adjustments, equity transfers and correction of errors	247,956	(247,956)
Net assets, beginning	<u>3,727,926</u>	<u>261,030</u>
Net assets, ending	<u>\$3,627,137</u>	<u>\$264,957</u>

Totals

\$ 165,399

165,399

181,305

41,199

86,339

275,079

49,619

323,138

956,679

( 791,280)

10,289

3,866

416,163

264,100

694,418

( 96,862)

3,988,956

\$ 3,892,094

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS**  
 Year Ended March 31, 2005  
 =====

	Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from dwelling and nondwelling rents	\$ 162,822	\$
Cash payments to other suppliers of goods and services	( 347,240)	
Cash payments to employees for services	( 231,161)	
Cash payments for in lieu of taxes	<u>          </u>	<u>          </u>
Net cash (used) by operating activities	<u>( 415,579)</u>	<u>          </u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Due from/to other programs	( 12,836)	12,836
Tenant security deposits	2,210	
Operating grants	381,483	
Other revenue	<u>3,641</u>	<u>          </u>
Net cash provided by noncapital financing activities	<u>374,498</u>	<u>12,836</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital grants		251,264
Payments for capital acquisitions	<u>(       1)</u>	<u>(264,100)</u>
Net cash (used) by capital and related financing activities	<u>(       1)</u>	<u>( 12,836)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investments reduced	139,641	
Receipts of interest and dividends	<u>7,758</u>	<u>          </u>
Net cash provided by investing activities	<u>147,399</u>	<u>          </u>
Net increase(decrease) in cash	106,317	
Cash, beginning	<u>171,742</u>	<u>          </u>
Cash, ending	<u>\$ 278,059</u>	<u>\$       </u>

Totals

\$ 162,822

( 347,240)

( 231,161)

( 415,579)

2,210

381,483

3,641

387,334

251,264

( 264,101)

( 12,837)

139,641

7,758

147,399

106,317

171,742

\$ 278,059

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
 Year Ended March 31, 2005

=====

	Low Rent	Capital
	Program	Fund
	Program	Program
	<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH  
 EQUIVALENTS PER STATEMENT OF  
 CASH FLOWS TO THE BALANCE SHEET:**

Cash	\$ 36,517	\$
Investments-unrestricted	<u>241,542</u>	<u>          </u>
Cash and cash equivalents per balance sheet	<u>\$ 278,059</u>	<u>\$</u>

**SCHEDULE RECONCILING OPERATING INCOME  
 TO NET CASH FLOW FROM OPERATING  
 ACTIVITIES:**

Operating income(loss)	\$ ( 779,063)	\$ ( 12,217)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	310,921	12,217
Bad debt allowance change	1,878	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	( 4,439)	
Prepaid expenses	29,757	
Increase (decrease) in liabilities:		
Accounts payable	8,347	
Accrued wages/payroll taxes	7,790	
Accrued compensated absences	( 4,068)	
Accrued payments in lieu of taxes	7,906	
Other current liabilities	3,530	
Deferred revenues	<u>1,862</u>	<u>          </u>
Net cash (used) by operating activities	<u>\$ ( 415,579)</u>	<u>\$</u>

Totals

\$ 36,517  
241,542

\$ 278,059

\$ ( 791,280)

323,138  
1,878

( 4,439)  
29,757

8,347  
7,790  
( 4,068)

7,906  
3,530  
1,862

\$ ( 415,579)

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS**  
Year Ended March 31, 2005  
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Major - Direct Program</u>		
2005	Low Rent Public Housing	14.850	\$ 416,163
	<u>Public and Indian Housing Major - Direct Program</u>		
2005	Capital Fund Program	14.872	<u>264,100</u>
	Total		<u>\$ 680,263</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1: Significant Accounting Policies**

The schedule of federal awards has been prepared on the  
accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

ROYAL OAK TOWNSHIP HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE**

Year Ended March 31, 2005

=====

FDS Line Item No.		Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>ASSETS</b>		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 36,517	\$
100	Total cash	<u>36,517</u>	
	Receivables:		
122	A/R-HUD other projects	34,680	2,734
125	A/R-miscellaneous	4,880	
126	A/R-tenants-dwelling rents	16,046	
126.1	Allowance for doubtful accounts- dwelling rent	( 11,554)	
126.2	Allowance for doubtful accounts- other	( 4,655)	
129	Accrued interest receivable	<u>2,531</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>41,928</u>	<u>2,734</u>
	Current Investments:		
131	Investments-unrestricted	<u>542,747</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	1,774	
144	Interprogram due from	<u>2,734</u>	
	Total other current assets	<u>4,508</u>	
150	Total current assets	<u>625,700</u>	<u>2,734</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	126,725	
162	Buildings	2,840,682	
164	Furn, equip & mach-admin.	83,189	11,305
165	Building improvements	3,902,906	268,041
166	Accumulated depreciation	<u>(3,858,953)</u>	<u>( 14,389)</u>
160	Total fixed assets, net of accumulated depreciation	<u>3,094,549</u>	<u>264,957</u>
180	Total noncurrent assets	<u>3,094,549</u>	<u>264,957</u>
190	Total Assets	<u>\$3,720,249</u>	<u>\$ 267,691</u>



Totals

\$ 36,517

36,517

37,414

4,880

16,046

( 11,554)

( 4,655)

2,531

44,662

542,747

1,774

2,734

4,508

628,434

126,725

2,840,682

94,494

4,170,947

( 3,873,342)

3,359,506

3,359,506

\$ 3,985,940

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended March 31, 2005

=====

FDS Line Item No.		Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES AND EQUITY/NET ASSETS</b>			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 15,087	\$
313	Accounts payable>=90 days	7,999	
321	Accrued wage/payroll taxes payable	12,123	
322	Accrued compensated absences-current portion	344	
333	Accounts payable-other government	18,897	
341	Tenant security deposits	15,524	
342	Deferred revenues	4,695	
345	Other current liabilities	15,347	
347	Interprogram due to		<u>2,734</u>
310	Total current liabilities	90,016	2,734
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>3,096</u>	
300	Total liabilities	<u>93,112</u>	<u>2,734</u>
	Equity:		
508.1	Invested in capital assets	<u>3,094,549</u>	<u>264,957</u>
508	Total equity	3,094,549	264,957
	Net Assets:		
512.1	Unrestricted net assets	<u>532,588</u>	
513	Total net assets	<u>3,627,137</u>	<u>264,957</u>
600	Total Liabilities and Equity/Net Assets	<u>\$3,720,249</u>	<u>\$ 267,691</u>

Totals

\$ 15,087  
7,999

12,123

344

18,897

15,524

4,695

15,347

2,734

92,750

3,096

95,846

3,359,506

3,359,506

532,588

3,892,094

\$ 3,987,940

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended March 31, 2005

FDS Line Item No.		Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>Revenue:</b>		
703	Net tenant rental revenue	\$ 165,399	\$
704	Tenant revenue-other		
705	Total tenant revenue	<u>165,399</u>	
706	HUD PHA grants	416,163	
706.1	Capital grants		264,100
711	Investment income-unrestricted	10,289	
715	Other revenue	<u>3,866</u>	
700	Total revenue	<u>595,717</u>	<u>264,100</u>
	<b>Expenses:</b>		
	Administrative:		
911	Administrative salaries	74,154	
912	Auditing fees	4,900	
914	Compensated absences	( 4,067)	
915	Employee benefit contributions-adm.	24,768	
916	Other operating-administrative	81,550	
	Tenant Services:		
921	Tenant services-salaries	28,100	
923	Employee benefit contributions	9,436	
924	Tenant services-other	3,663	
	Utilities:		
931	Water	65,925	
932	Electricity	9,043	
933	Gas	11,371	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	73,657	
942	Ordinary maint & oper-mat'ls & other	92,274	
943	Ordinary maint & oper-contract costs	84,380	
945	Employee benefit contributions- ordinary maintenance	24,768	
	General expenses:		
961	Insurance premiums	38,232	
963	Payments in lieu of taxes	7,906	
964	Bad debt-tenant rents	<u>3,481</u>	
969	Total operating expenses	<u>633,541</u>	
970	Excess operating revenue over operating expenses	<u>( 37,824)</u>	<u>264,100</u>

Totals

\$ 165,399

165,399

416,163

264,100

10,289

3,866

859,817

74,154

4,900

( 4,067)

24,768

81,550

28,100

9,436

3,663

65,925

9,043

11,371

73,657

92,274

84,380

24,768

38,232

7,906

3,481

633,541

226,276

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
 Year Ended March 31, 2005  
 =====

FDS Line Item No.		Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>Expenses continued:</b>		
	Other expenses:		
974	Depreciation expense	<u>310,921</u>	<u>12,217</u>
	Total other expenses	<u>310,921</u>	<u>12,217</u>
900	Total expenses	<u>944,462</u>	<u>12,217</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	( 348,745)	251,883
1104	Prior period adjustments, equity transfers and correction of errors	247,956	(247,956)
1103	Beginning Net Assets	<u>3,727,926</u>	<u>261,030</u>
	Ending Net Assets	<u>\$ 3,627,137</u>	<u>\$264,957</u>

Totals

323,138

323,138

956,679

( 96,862)

3,988,956

\$ 3,892,094

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Board of Housing Commissioners  
Royal Oak Township Housing Commission  
Ferndale, Michigan

I have audited the financial statements of the business-type activities of the Royal Oak Township Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2005, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated December 9, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Housing Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing



Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*  
Royal Oak Township Housing Commission  
Page Two

**Internal Control Over Financial Reporting - Continued**

their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above is a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 04-3 and 04-5.

I also noted certain additional matters that I reported to management of the Housing Commission, in a separate letter dated December 9, 2005.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Barry E. Taudell, CPA, PC*

December 9, 2005

**Report on Compliance with Requirements  
Applicable to Each Major Program and  
Internal Control over Compliance  
in Accordance with OMB Circular A-133**

Board of Housing Commissioners  
Royal Oak Township Housing Commission  
Ferndale, Michigan

**Compliance**

I have audited the compliance of the Royal Oak Township Housing Commission, Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2005. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

As described in item 04-4 in the accompanying schedule of findings and questioned costs, the Housing Commission, did not comply with requirements regarding equipment and real property management that are applicable to its Low Rent Program. Compliance with such requirements is necessary, in our opinion, for the Housing Commission, to comply with requirements applicable to that program.

Report on Compliance with Requirements  
Applicable to Each Major Program and  
Internal Control Over Compliance in  
Accordance with OMB Circular A-133  
Royal Oak Township Housing Commission  
Page Two

**Compliance - Continued**

In my opinion, except for the noncompliance described in the preceding paragraph, the Housing Commission, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2005. The results of my auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are disclosed in the accompanying schedule of findings and questioned costs as items 03-1, 03-4, and 04-2.

**Internal Control Over Compliance**

The management of the Housing Commission, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses. I have noted other matters involving the internal control over financial reporting that I have reported to management of the Housing Commission in a separate letter dated December 9, 2005.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Sandy S. Tauler, CPA, PC*

December 9, 2005

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 March 31, 2005  
 =====

**A. Summary of Audit Results**

1. The auditors' report expresses an unqualified opinion on the financial statements of the Housing Commission.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Housing Commission were discovered during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Housing Commission expresses a qualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) or OMB Circular A-133 are reported in this Schedule.
7. Identification of major programs:

<u>CFDA</u> <u>Number</u>	<u>Federal Program</u>	<u>Amount</u> <u>Expended</u>	<u>Major</u> <u>Program</u>	<u>Compliance</u> <u>Requirement</u>	<u>Questioned</u> <u>Costs</u>	<u>Audit</u> <u>Finding</u>
14.850	Low Rent Public Housing	\$416,163	Yes	P J P P F P	N/A	05-1, 03-1, 04-2, 04-3, 04-4, 04-5
14.872	Capital Fund Program	<u>264,100</u>	Yes	D	N/A	03-4,
	<b>Total</b>	<u>\$680,263</u>				

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Housing Commission was not determined to be a low-risk auditee.

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
March 31, 2005  
=====

**B. Financial Statement Findings**

See repeat **Findings 04-3 and 04-5** as described in the Summary Schedule of Prior Audit Findings.

**Finding 05-1:**

Credit Card Policy

The Housing Commission has a credit card, but there is not a credit card policy.

Recommendation

The State of Michigan requires governmental units to adopt a credit card policy if a credit card exists. I recommend the Housing Commission adopt a credit card policy that meets the State of Michigan's criteria.

Reply

A new executive director was hired on May 19, 2005, and is in the process of preparing a credit card policy to present to the Board of Commissioners for approval.

**C. Federal Award Findings and Questioned Costs**

See repeat findings 04-1, 04-2, 04-4, and 03-4 as described in the Summary Schedule of Prior Audit Findings.

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
March 31, 2005  
=====

On January 1, 2005 a new Board of Commissioners was appointed. On May 19, 2005 a new Executive Director was hired. The prior year audit reports opinion is dated December 22, 2004, which is the last date of fieldwork by the prior auditor. Therefore, the reportable findings from the prior year were not corrected as of March 31, 2005, because of the changes in management and the board and a lack of time to implement these findings.

The following findings are repeat findings from the prior year audit findings:

**Finding 03-1:**

Excessive Accounts Receivable.

Average tenant accounts receivable based on units in possession at March 31, 2005, were \$133. HUD prescribes \$15 per unit average as acceptable. This is a repeat finding.

Recommendation

The Housing Commission has recently undergone a couple of administrative changes both in the executive and administrative management levels. Key staff positions have not been filled consistently over the past two years; as a result, monitoring and collecting accounts receivable have not been at acceptable levels.

I recommend the Housing Commission adopt a more aggressive policy of collecting and evicting tenants to reduce the accounts receivable balance.

Reply

We concur with your recommendation. A new executive director was hired on May 19, 2005 and a new staff member with previous PHA experience started January 3, 2005. One of her primary functions is to monitor and take swift action toward tenant account receivables which includes filing legal action.

**Finding 03-4:**

Davis Bacon Act Discrepancies.

The Housing Commission obtained copies of certified payrolls from the contractors and did receive a wage determination from the Department of Labor; however, failed to conduct employee interviews. This is a repeat finding.

**Finding 03-4 (continued):**

Recommendation

The Housing Commission collected the required documents and reviewed them for compliance, however, without third party verification, the Housing Commission can only accept the contractor's statements as accurate. The purpose of the interviews are to obtain first hand information from the employees what they are doing, being paid, and job classification. Without that data, the contractor can represent hours, jobs, rates without question.

I recommend the Housing Commission conduct the periodic interviews and compare them to the certified payrolls as required by HUD.

Reply

We concur with your recommendation and as of May 19, 2005, when the new Executive Director was hired, these interviews are being done.

**Finding 04-1:**

Tenant Accounting Discrepancies.

Discrepancies were noted in a review of tenant files. This finding has been cleared.

**Finding 04-2:**

Policies not up to date.

A review of several of the Housing Commission's written policies indicated that they did not meet current compliance with HUD regulations. The admissions and continued occupancy policy, procurement policy, and others used language which is outdated. This is a repeat finding.

Recommendation

I recommend the Housing Commission review all it's policies and rewrite those that are outdated or do not comply with HUD regulations.

Reply

We have revised the personnel policy as of April 9, 2005 and are now using the Public Housing Occupancy Guidebook, dated June 2003. Since hiring a new Executive Director on May 19, 2005, all of our policies are being reviewed and updated as needed.

**Finding 04-3:**

Form 1099's not submitted.

The Housing Commission paid individuals more than \$600 for the calendar year 2004, however, failed to issue 1099's as required by the Internal Revenue Service (IRS). This is a repeat finding.

Recommendation

The Housing Commission is obligated to follow all Federal, State and Local ordinances, as well as its own policies; the IRS requires 1099's to be provided to all individuals that are paid \$600 or more in the calendar year, also any attorney that is paid regardless if incorporated, and regardless of the amount.

I recommend that the Housing Commission issue 1099's for calendar 2005 and continue to comply with all IRS regulations.

Reply

We concur with your recommendation and will be issuing 1099's to any contractor or vendor who falls within the identified IRS threshold and will issue a Form 1099 for 2005.

**Finding 04-4**

Inspector General Audit Report.

The Office of Inspector General (IG) for HUD conducted an audit of the Royal Oak Township Housing Commission and issued their report on November 29, 2004. The report cited the following findings:

- Public Housing Units did not meet Federal requirements for physical condition and handicap accessibility.
- Board Commissioners interfered with the day-to-day operations of the Housing Commission.

Since the IG findings weren't cleared until December 2005, this is a repeat finding.

Recommendation

I recommend the Housing Commission address the issues cited in the IG report.

Reply

As of December 2005 the IG report findings have been cleared and the Housing Commission is not a "troubled agency", but is now designated a "standard performer". As of January 2005, a new Board of Commissioners were appointed and the Housing Commission has also hired independent contractors to assist with addressing some of the IG audit findings.



**Finding 04-5:**

**Travel Policy Violations.**

The Housing Commission has a per diem policy which allows the recipient to receive \$75 a day for out of town travel and no receipts are required. The IRS requires an accounting be made for all per diem above \$45 a day. Since the travel policy has not been updated, this is a repeat finding.

Recommendation

The IRS has established per diem allowances; in the event that the allowance exceeds the IRS levels, the individual must either make an accounting to the Company (Commission), or the advance must be included on a 1099 for Commissioners or the employees W-2. The current IRS level for per diem in a high income local is \$45 per day. The travel policy exceeds IRS levels therefore will require an accounting or inclusion of the travel advance on the employees W-2 or a 1099 for Commissioners.

If the Housing Commission chooses to have a per diem above the IRS level, an accounting must be made for the entire advance; if no receipts are available, the advance must be returned to the Housing Commission. If the Housing Commission does not require an accounting be made, the entire advance must be included on a 1099 for Commissioners, or on the employees W-2. If the amount is included on a 1099 or W-2, the individual could make an accounting on their personal income tax returns.

I recommend the Housing Commission update its travel policy to resolve the above issues.

Reply

On May 19, 2005 a new executive director was hired and is in the process of reviewing and updating all Housing Commission's policies including the travel policy.

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
ADJUSTING JOURNAL ENTRIES  
MARCH 31, 2005  
=====

<u>Line Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
LOW RENT PROGRAM			
	(1)		
312	Accounts payable<=90 days	\$ 7,999.00	
313	Accounts payable>=90 days		\$ 7,999.00
	To reclassify an amount due a contractor for construction of a sign.		

ROYAL OAK TOWNSHIP HOUSING COMMISSION

INDEPENDENT AUDITORS' REPORTS  
ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE/BOARD OF COMMISSIONERS  
AND  
MANAGEMENT ADVISORY COMMENTS

MARCH 31, 2005

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
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MARCH 31, 2005

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**INDEPENDENT AUDITORS' REPORT ON  
COMMUNICATIONS WITH THE AUDIT COMMITTEE/  
BOARD OF COMMISSIONERS**

To the Board of Commissioners  
Royal Oak Township Housing Commission

I have audited the financial statements of the Royal Oak Township Housing Commission ("Housing Commission") as of and for the year ended March 31, 2005, and have issued my report, thereon, dated December 9, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

**Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America** - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

**Significant Accounting Policies** - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were no audit adjusting journal entries and no controversial accounting issues.

**Management Judgments and Accounting Estimates** - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

**Other Information in Documents Containing Audited Financial Statements** - All the information included in the financial statements document has been audited and my responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE - CONTINUED**

**Audit Adjustments** - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 5 for the audit adjusting journal entries).

**Disagreements With Management** - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

**Consultations With Other Accountants** - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

**Major Issues Discussed With Management Prior to Retention** - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

**Difficulties Encountered in Performing the Audit** - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

*Bary E. Landolt, CPA, PC*

December 9, 2005

**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street  
Traverse City, Michigan 49636  
(231) 946-8930  
Fax (231) 946-1377

**INDEPENDENT AUDITORS' REPORT ON  
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners  
Royal Oak Township Housing Commission

I have audited the financial statements of the Royal Oak Township Housing Commission ("Housing Commission") as of and for the year ended March 31, 2005, and have issued my report, thereon, dated December 9, 2005. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

*Barry E. Gaudette, CPA, PC*

December 9, 2005

ROYAL OAK TOWNSHIP HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS  
March 30, 2005  
=====

**Employee Evaluations**

The Housing Commission has not been doing employee evaluations.

I recommend that the Housing Commission prepare employee evaluations as least once a year. The Executive Director has told me that he plans on preparing employee evaluations in the coming year.

**Board Approval of Invoices**

The Housing Commission board during the fiscal year ending March 31, 2005, did not examine invoices paid or to be paid it appears.

There was a new Board appointed in January 2005 and they are now examining the invoices.

**Deposits**

Currently the Executive Director prepares the deposit tickets and also makes the deposits.

I recommend that someone other than the person making the deposit prepare the deposit ticket. Also, the person preparing the deposit ticket should compare the bank receipt to the batch report and deposit ticket that was prepared.



ROYAL OAK TOWNSHIP HOUSING COMMISSION

ADJUSTING JOURNAL ENTRIES

March 30, 2005

=====

<u>Line #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
LOW RENT PROGRAM			
	(1)		
312	Accounts payable<=90 days	\$ 7,999.00	
313	Accounts payable>=		
	90 days		\$ 7,999.00
	To reclassify an amount		
	due to a contractor for		
	construction of a sign.		